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UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION

| | | |
|------------------------------------|---|------------------------------------|
| ROBERT JACOBSEN, an individual, |) | Case Number C06-1905-JSW |
| |) | |
| Plaintiff, |) | Hearing Date: April 11, 2008 |
| |) | Hearing Time: 9:00am |
| vs. |) | Place: Ct. 2, Floor 17 |
| |) | |
| |) | Hon. Jeffrey S. White |
| |) | |
| MATTHEW KATZER, an individual, and |) | DEFENDANTS MATTHEW |
| KAMIND ASSOCIATES, INC., an Oregon |) | KATZER AND KAMIND |
| corporation dba KAM Industries, |) | ASSOCIATES, INC.'S REPLY TO |
| |) | PLAINTIFF'S OPPOSITION TO |
| Defendants. |) | DEFENDANTS'S MOTION TO |
| |) | DISMISS FOR MOOTNESS |

I. Defendants have proven they filed a Disclaimer of the '329 patent

Plaintiff asserts that a "case or controversy" still exists because defendants have not "proven" that a Disclaimer of patent was filed with the USPTO. Opposition to Defendants

1 Motion to Dismiss for Mootness (hereinafter “Opposition”) at 2-3. Plaintiff’s Opposition goes
2 on to speculate about various alleged nefarious activity surrounding the filing of the disclaimer,
3 repeatedly citing to *Vectra Fitness, Inc. v. TNWK Corp.*, 162 F.3d 1379 (Fed. Cir. 1998) for a
4 number of assertions, including the mysterious proposition that this case “raises questions as to
5 what exactly Defendants filed with the PTO.” *Id.* at 1384.

6 Defendants have stated to this Court, under penalty of perjury, that a Disclaimer of all
7 claims of the ‘329 patent was filed with the USPTO. Decl. of Matthew Katzer in Support of
8 Defendants’ Motion to Dismiss for Mootness [Dkt.# 203-2]. Additionally, Defendants have
9 covenanted not to sue Plaintiff for any past, present or future violations of the ‘329 patent.
10 Exhibit A to Decl. of R. Scott Jerger in support of Defendants’ Memorandum in Opposition to
11 Plaintiff’s Motion for Early Discovery [Dkt.# 209-2]. There is nothing more that Defendants can
12 do. Defendants have not received an endorsed disclaimer from the USPTO at this time, nor will
13 the USPTO provide a copy of the “endorsed” disclaimer anytime within the next 25-30 days.
14 Decl. of R. Scott Jerger in Support of Defendants’ Reply to Plaintiff’s Opposition to Defendants’
15 Motion to Dismiss for Mootness (Reply), ¶ 3. Defendants will forward the endorsed disclaimer
16 to Plaintiff upon receipt. Defendants have recently received the confirmation of filing card from
17 the USPTO and are filing a true copy of this confirmation card with this reply. Exhibit A to
18 Decl. of R. Scott Jerger in Support of Defendants’ Reply.

19 **II. Plaintiff’s request to deviate from the traditional jurisdictional test has no**
20 **support in law**

21 Plaintiff’s bewildering discussion of subject matter jurisdiction and the well-pleaded
22 complaint rule in Section B of the Opposition (Opposition at 3-5) is completely irrelevant to the
23 issue before this Court. Section B is internally inconsistent, advocating positions ranging from
24 the position that this Court has jurisdiction over numerous other unnamed patents held by
25 Defendants (which are not part of this lawsuit nor presently before this Court) (Opposition at 3)
26 to the position that this Court only has jurisdiction over the declaratory claim of unenforceability
(Opposition at 3, 5).

1 As discussed in Defendants' Motion, Defendants Disclaimer and covenant not to sue
2 divests this court of jurisdiction of the declaratory actions regarding the '329 patent as there is no
3 longer a controversy of sufficient and immediate reality to warrant the issuance of a declaratory
4 judgment. Defendants' Motion to Dismiss Counts 1, 2, and 3 of the Second Amended Complaint
5 as Moot (hereinafter "Motion") [Dkt.# 203] at 4-5 citing *MedImmune*, *Super Sack*, *Amana* and
6 *Benitec*. Plaintiff's argument (although not clear) appears to be that this Court should look
7 beyond the traditional jurisdictional test for declaratory judgment claims and assert continued
8 jurisdiction "over the three declaratory judgment causes of action as they relate to the other
9 patents." Opposition at 4 citing *Fina Oil & Chem. Co. v. Ewen*, 123 F.3d 1466, 1470 (Fed. Cir.
10 1997). This novel and not-so-coherent argument fails for two primary reasons.

11 First, plaintiff's logic based on the well-pleaded complaint rule discussed in *Fina Oil* is
12 not at all pertinent to this case. In *Fina Oil*, the plaintiff sought a declaration that the inventors
13 were properly named in the patent at issue in federal court per 35 U.S.C. § 116, 123, based, in
14 part, on contentions on inventorship from defendant that came to light in a state court lawsuit
15 involving plaintiff, defendant and others. Applying the well-pleaded complaint rule, the Federal
16 Circuit looked to the corresponding suit that the defendant would have brought, *i.e.* an action for
17 correction of inventorship under 35 U.S.C. § 256. The Federal Circuit found that an actual
18 controversy existed because the plaintiff owned the patent at issue and had a reasonable
19 apprehension that the defendant would bring a §256 action based on allegations the defendant
20 had made in the state court proceeding. *Fina Oil*, 123 F.3d at 1472.

21 The well-pleaded complaint rule, discussed in *Fina Oil*, is only employed in order to
22 determine whether federal question subject matter jurisdiction exists. "As we held in *Speedco*,
23 when faced with a declaratory judgment, this court employs the principles articulated in [*Skelly*
24 *Oil Co. v. Phillips Petroleum Co.*, 339 U.S. 667, 94 L.Ed. 1194, 70 S.Ct. 876 1950)], in order to
25 determine whether section 1338 jurisdiction exists. We thus apply the well-pleaded complaint
26 rule, not to the declaratory judgment complaint, but to the hypothetical action that the declaratory

1 judgment defendant would otherwise have brought directly against the declaratory judgment
2 plaintiff.” *Cedars-Sinai Medical Center v. Watkins*, 11 F.3d 1573, 1578 (Fed. Cir. 1993) (citing
3 *Speedco, Inc. v. Estes*, 853 F.2d 909, 912 (Fed. Cir. 1988)). Here, under this analysis,
4 Defendants corresponding well-pleaded complaint would involve a suit for patent infringement
5 of the ‘329 patent under federal patent law, and therefore section 1338 jurisdiction exists in this
6 federal court. However, as Defendants have disclaimed the ‘329 patent, regardless of the issue
7 of federal question jurisdiction, there is no longer any case or controversy and the Article III
8 “actual case or controversy” requirement is not met. *Fina Oil* has no bearing on the issue of
9 jurisdiction over the now-moot patent declaratory action claims. Nothing in *Fina Oil* alters the
10 fact that Plaintiff must still prove that an actual case or controversy still exists in regard to the
11 ‘329 patent. Indeed, in *Fina Oil*, the Court found that the plaintiff was in reasonable
12 apprehension of imminent suit and that an actual controversy existed based on defendants
13 affirmative allegations in an ancillary state court proceeding. *See Fina Oil*, 123 F.3d at 1472.
14 The Federal Circuit has affirmed that *Fina Oil* in no way alters the traditional two-prong test for
15 subject matter jurisdiction. *Teva Pharmaceuticals USA, Inc. v. Pfizer, Inc.*, 395 F.3d 1324, 1135-
16 1136 (Fed. Cir. 2005) (stating that the holding in *Fina Oil* follows the Federal Circuit’s
17 traditional two-part jurisdictional test and “in no way suggests that the traditional test does not
18 address the Article III requirement of an actual case or controversy.”); *see also Institute Pasteur*
19 *v. Simon*, 332 F. Supp.2d 755, 758 (E.D. Pa 2004) (stating that the holding in *Fina Oil* “does not
20 alter the *BP Chemicals* two-pronged test for determining whether an actual case or controversy
21 exists in cases involving a declaratory judgment of invalidity.”) (citing *B.P. Chemicals, Ltd. v.*
22 *Union Carbide Corp.*, 4 F.3d 975, 978 (Fed. Cir. 1993)). Of course, as discussed in Defendants’
23 Motion, the former “traditional two-part jurisdictional test” discussed in *BP Chemicals* and *Teva*
24 *Pharmaceuticals* has been replaced with the jurisdictional test as laid out in *MedImmune*.

25 Additionally, *Fina Oil* is factually distinguishable from the case at bar. *Fina Oil* involved
26 a claim to correct or affirm inventorship under 35 U.S.C. § 256. Based on this, at least one

1 district court has found that holding of *Fina Oil* has no bearing on a patent invalidity case. *True*
2 *Center Gate Leasing, Inc. v Sonoran Gate, LLC*, 402 F. Supp.3d 1093, 1099 (D. Az 2005).

3 Lastly, Plaintiff's protestations that "[d]efendants have prejudiced Plaintiff, forcing
4 Plaintiff and his counsel to devote two years' [sic] of time and expense to review and prepare
5 claim construction positions, and review volumes of prior art" (Opposition at 5-6) are irrelevant
6 to the jurisdictional inquiry. The jurisdictional inquiry focuses on power, not fairness. *Hercules,*
7 *Inc. v. United States*, 516 U.S. 417, 430, 116 S.Ct. 981, 134 L.Ed.2d 47 (1996) ("We are
8 constrained by our limited jurisdiction and may not entertain claims based merely on equitable
9 considerations."). Additionally, it is worth noting that dismissing Plaintiff's patent claims is not
10 unfair. Defendants have disclaimed the '329 patent at the beginning of this litigation process and
11 prior to filing an Answer. The two years worth of motion practice in this case, to date, is entirely
12 attributable to Plaintiff's insistence on pleading claims that are patently frivolous. Defendants
13 have dismissed the vast majority of these claims asserted by Plaintiff at Defendants' own
14 substantial expense.

15 **III. The Request for a Declaratory Judgment of Unenforceability is Moot**

16 **a. Plaintiff's citation to *Nilssen* is inapposite**

17 Plaintiff states that the "declaratory judgment action relating to unenforceability of the
18 '329 patent is not moot." Opposition at 4 citing *Nilssen v. Osram Sylvania, Inc.*, 504 F.3d 1223,
19 1230 (Fed. Cir. 2007). As discussed in Defendants' Memorandum in Opposition to Plaintiff's
20 Motion for Early Discovery at 4-5 [Dkt.# 209], this issue is most certainly moot. *Nilssen* does
21 not help Plaintiff in this matter, but rather is inapplicable to the issue at hand. Defendants agree
22 with Plaintiffs that, in theory, alleged inequitable conduct in the '329 patent can be used as the
23 basis to invalidate another patent asserted by Defendants against Plaintiff. This was the issue in
24 *Nilssen*. If, for example, Defendants were to bring counterclaims against Plaintiff alleging
25 infringement of another patent, then Plaintiff could seek a holding from this Court that
26 Defendants engaged in inequitable conduct relating to the prosecution of the '329 patent, even

1 though the '329 patent is no longer in suit, in order to invalidate the patent asserted in the
2 counterclaim. *Nilssen*, 504 F.3d at 1230. This issue is not presently before the Court, however.
3 What is before this Court is Defendants' pending motion to dismiss the declaratory actions
4 against the '329 patent. Based on the filing of the Disclaimer, there is no longer any substantial
5 controversy of sufficient immediacy and reality between Plaintiff and Defendants regarding the
6 '329 patent.

7 **b. This Court does not retain jurisdiction over the declaratory claim of
unenforceability via 35 U.S.C. § 285**

8 Plaintiff additionally claims, citing *Monsanto Co. v. Bayer Bioscience, N.V.*, 2008 U.S.
9 App LEXIS 1409 (Fed. Cir. 2008), that this Court can retain jurisdiction over the declaratory
10 claim of unenforceability in order to determine the disposition of a request for attorney fees
11 under 35 U.S.C. § 285. Opposition at 4. *Monsanto*, in fact, holds nothing of the sort. Rather,
12 *Monsanto* holds that, in the context of disposing of a request for attorney fees under § 285, a
13 court may make findings of inequitable conduct regarding a patent no longer in suit in order to
14 determine whether the conduct of a party is "exceptional" for purposes of § 285. The Court went
15 on to say that once a court issues a finding that a patent was obtained via inequitable conduct, a
16 finding of unenforceability necessarily follows and that "any distinction between the two
17 findings is merely semantic." *Monsanto* 2008 U.S. App LEXIS 1409 at *37. It does not follow
18 from this conclusion, however, that subject matter jurisdiction over the declaratory action of
19 unenforceability also remains. In fact, Supreme Court and Federal Circuit law is clear that this is
20 not the case.

21 The Federal Circuit has held that a properly executed covenant not to sue (similar in
22 purpose to the Disclaimer in this case) for infringement moots not only the controversy with
23 respect to infringement, but it also eliminates subject matter jurisdiction with respect to
24 remaining declaratory claims for patent invalidity and unenforceability. *Super Sack*, 57 F.3d at
25 1058-1060 (Fed. Cir. 1995), *Benitec*, 495 F.3d 1340 (Fed. Cir. 2007) (both discussed in
26 Defendant's Motion). Additionally, both the Supreme Court and the Federal Circuit have held

1 “an interest in attorney’s fees is, of course, insufficient to create an Article III case or
2 controversy where none exists on the merits of the underlying claim.” *Tunik V. MSPB*, 407 F.3d
3 1326, 1331 (Fed. Cir. 2005) (quoting *Lewis v. Cont’l Bank Corp.*, 494 U.S. 472, 480, 110 S.Ct.
4 1249, 108 L.Ed 2d 400 (1990)). “Where...it appears that the only concrete interest in the
5 controversy has terminated, reasonable caution is needed to be sure that mooted litigation is not
6 pressed forward, and unnecessary judicial pronouncements...obtained solely in order to obtain
7 reimbursement of sunk costs.” *Lewis*, 494 U.S. at 480. Consequently, courts have held that
8 section 285 is not an independent basis for jurisdiction to decide an otherwise moot declaratory
9 claim for unenforceability. *Sony Elecs., Inc. v. Soundview Techs., Inc.*, 375 F.Supp.2d 99, 101
10 (D. Conn. 2005), *see also True Center Gate Leasing, Inc. v. Sonoran Gate, LLC*, 402 F.Supp.2d
11 1093, 1100 (D. Az.) (2005).

12 Therefore, even if there is jurisdiction to determine whether Plaintiff is entitled to
13 attorney fees, it is well settled that this does not avert mootness of the underlying declaratory
14 claim for enforceability.

15 **IV. This Court should not maintain subject matter jurisdiction over Plaintiff’s**
16 **request for attorney fees.**

17 Plaintiff also cites *Monsanto* for the proposition that this Court maintains subject matter
18 jurisdiction over Plaintiff’s request for attorney fees. Opposition at 5. Plaintiff has not asserted a
19 separate claim for attorney fees, but merely includes a request for such fees in its prayer for relief
20 on the declaratory judgment claims.

21 The Federal Circuit addressed this issue in *Monsanto* and *Highway Equip. Co. v. FEEO*,
22 *Ltd.*, 469 F.3d 1027, 1033 (Fed. Cir. 2006). In both cases, the Federal Circuit retained
23 jurisdiction over a claim for attorney fees under 35 U.S.C. § 285. Neither case adequately
24 explains how this holding squares with the holding of *Lewis*, 494 U.S. at 480 that “an interest in
25 attorney’s fees is, of course, insufficient to create an Article III case or controversy where none
26 exists on the merits of the underlying claim.” (Affirmed by *Tunik*, 407 F.3d at 1331 (Fed. Cir.
2005)) (discussed *supra*).

1 On inspection, both *Monsanto* and *Highway Equip. Co* are factually distinguishable from
2 the case at bar. In both cases, the patentees asserted their patents in litigation and engaged in
3 significant litigation activities before covenanting not to sue the opposing party for patent
4 infringement. In contrast to this, Defendants have not initiated an infringement action against
5 Plaintiff for the '329 patent. This Court has not made any findings regarding the enforceability
6 of the '329 patent, nor is there any other patent in suit upon which those findings might be
7 relevant (as was the case in *Monsanto* and *Nilssen*). Consequently, there are no underlying
8 patent claims, at all, and jurisdiction would be based solely on Plaintiff's interest in attorney fees
9 in contravention of *Lewis v. Cont'l Bank Corp.*, 494 U.S. at 480.

10 Indeed, retaining jurisdiction to hear a request for attorney fees from Plaintiff would
11 spawn extensive additional litigation and lead to absurd results. Plaintiff would be required to
12 prove that this is an "exceptional case" that warranted attorney fees under § 285. To do this,
13 Plaintiff purports to show inequitable conduct before the USPTO. To rebut these assertions,
14 Defendants would be forced put on an entire case of patent validity and enforceability at a
15 tremendous cost. In the end, the attorney fee litigation would resemble a full-blown patent
16 infringement trial and this Court and the parties would have achieved nothing through the
17 Disclaimer of the '329 patent. Therefore, this Court should not maintain jurisdiction over
18 Plaintiff's request for attorney fees.

19 **V. Plaintiff is not a prevailing party within the meaning of § 285 as a matter of law**

20 Moreover, even if this Court possesses jurisdiction to address Plaintiff's attorney fee
21 request, Plaintiff, as a matter of law, is not a "prevailing party" within the meaning of 35 U.S.C.
22 § 285. This is the most fundamental and glaring flaw in Plaintiff's position. Under 35 U.S.C. §
23 285, the "district court may award reasonable attorney fees to the *prevailing party* in a patent
24 infringement case where the conduct of a party is deemed to be 'exceptional.'" *Monsanto*, 2008
25 U.S. App LEXIS 1409 at *36 (Fed. Cir. 2008) (citing *Brasseler, U.S.A. I, L.P. v. Stryker Sales*
26 *Corp.*, 267 F.3d 1370, 1380 (Fed. Cir. 2001) (quoting 35 U.S.C. § 285)) (emphasis added).

1 Plaintiff's Opposition is devoid of any argument that Plaintiff is a prevailing party, there is no
2 authority to support such a position, and the well-settled fee shifting law established in
3 *Buckhannon* and its progeny clearly support only the position that Plaintiff is *not* a prevailing
4 party in the case at bar.

5 The filing of the Disclaimer strips this Court of subject matter jurisdiction, and no
6 judicial relief has or will be been afforded to Plaintiff on any of his patent claims. To be
7 considered a "prevailing party," one must have obtained at least some relief on the merits which
8 alters the legal relationships of the parties. *Inland Steel Co. v. LTV Steel Co.*, 364 F.3d 1318,
9 1320 (Fed. Cir. 2004). This requires judicial relief in a form of a judicial *imprimatur* that
10 materially alters the parties' legal relationship. *Buckhannon Board & Care Home, Inc. v. W. Va*
11 *Dep't of Health and Human Services*, 532 U.S. 598, 604-605, 121 S.Ct. 1835, 149 L.Ed. 2d 855
12 (2001); *see also Carbonell v. INS*, 429 F.3d 894, 898 (9th Cir. 2005); *Perez-Arellano v. Smith*,
13 279 F.3d 791, 793 (9th Cir. 2002). The requirements of *Buckhannon* apply to 35 U.S.C. § 285.
14 *Highway Equipment Co. v. FECO, Ltd.*, 469 F.3d 1027, 1033-1034 (Fed. Cir. 2006) (citing
15 *Indep. Fed'n of Flight Attendants v. Zipes*, 491 U.S. 754, 759 n.2, 109 S.Ct. 2732, 105 L.Ed. 639
16 (1989) (noting that the similar language of fee-shifting statutes is a "strong indication" that they
17 are to be interpreted alike).

18 "[A] plaintiff prevails when actual relief on the merits of [his] claim modifies the
19 defendant's behavior in a way that directly benefits the plaintiff." *Farrar v. Hobby*, 506 U.S.
20 103, 111-112, 113 S.Ct. 566, 121 L.Ed. 2d 494 (1992) (citation omitted); *see also Labotest, Inc.*
21 *v Bonta*, 297 F.3d 892, 895 (9th Cir. 2002); *Barrios v. Cal. Interscholastic Fed'n*, 277 F.3d 1128,
22 1134 (9th Cir. 2002). However, a plaintiff who is a mere catalyst of an extra-judicial voluntary
23 change in conduct is not eligible for reimbursement of fees and costs. *Buchhannon*, 532 U.S. at
24 605; *Carbonell*, 429 F.3d at 898; *Perez-Arellano*, 279 F.3d at 793. The Supreme Court has
25 expressly repudiated the "catalyst theory" of recovering attorney fees and costs, under which a
26 plaintiff is purportedly a "prevailing party" if it achieves the desired result because the lawsuit

1 brought about a voluntary change in the defendant’s conduct. *Buckhannon*, 532 U.S. at 605 (“A
2 defendant’s voluntary change in conduct, although perhaps accomplishing what the plaintiff
3 sought to achieve by the lawsuit, lacks the necessary judicial *imprimatur* on the change.”).

4 Here, no judicial relief has been afforded to Plaintiff on any of his patent claims.
5 Defendants, outside of the context of this litigation, voluntarily disclaimed the ‘329 patent and
6 covenanted not to sue Plaintiff on the ‘329 patent to avoid costly and protracted litigation with
7 Plaintiff. Defendants have never asserted a counterclaim of infringement of the ‘329 patent
8 against Plaintiff in this litigation, therefore there is no action for this Court to take, ministerial or
9 otherwise, for final resolution on the ‘329 patent. Because Plaintiff has received no judicial
10 relief, whatsoever, he is not a prevailing party within the meaning of § 285. As explained in a
11 similar and recent district court patent case addressing section § 285:

12 While Columbia’s covenant not to sue is a form of voluntary conduct that
13 accomplishes the major part of what the plaintiffs sought to achieve in these
14 lawsuits, they have received no relief from the court on the merits of their claims.
15 They are, therefore, not prevailing parties for the purposes of § 285. *Columbia Univ.
Patent Litig.*, 343 F.Supp.2d 35, 49 (D. Mass 2004) (citing *Inland Steel Co. v. LTV
Steel Co.*, 364 F.3d 1318, 1320 (Fed. Cir. 2004).

16 Therefore, Plaintiff, as a matter of law, is not entitled to attorney fees or costs pursuant to 35
17 U.S.C. § 285.

18 **VI. Conclusion**

19 Based on the above, Defendants respectfully request that Claims 1, 2 and 3 of the Second
20 Amended Complaint and the associated relief requested in Plaintiff’s Prayer for Relief A, B, C,
21 D, E, F, G and T (requesting costs and attorney fees pursuant to 35 U.S.C. § 285) be dismissed
22 with prejudice. Additionally, this Court should refuse to retain jurisdiction over the attorney fee
23 issue pursuant to 35 U.S.C. § 285, and in the alternative, if this Court does retain jurisdiction,
24 this Court should find as a matter of law that Plaintiff is not a “prevailing party.”

25 ///

26 ///

